EXHIBIT

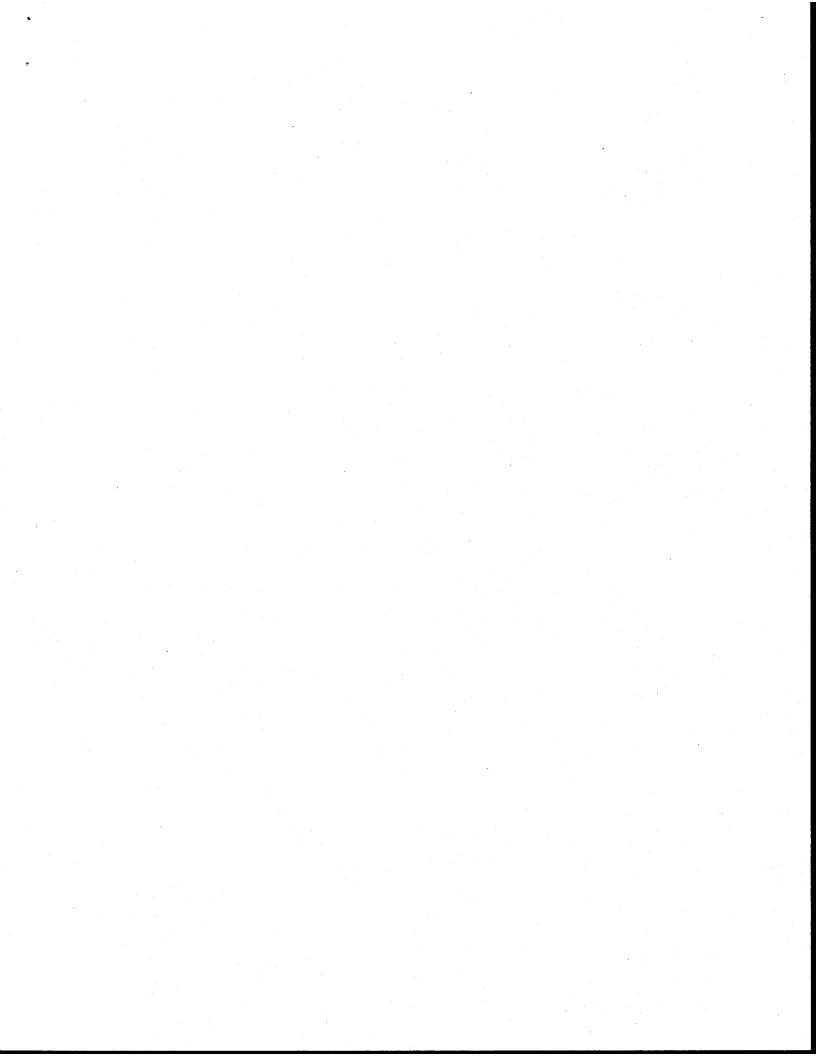
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### **CAREFIRST**

# MERGER INCENTIVE PLAN

CareFirst, Inc., a Maryland not-for-profit corporation, and the Affiliated Companies executing this Plan (the "Company"), have determined that it is in the best interests of the Company and its stakeholders to adopt the CareFirst Merger Incentive Plan (the "Plan") to provide benefits to key employees of the Company in the event of the sale or disposition of the Company in accordance with the terms and conditions set forth below. The purpose of the Plan is to provide key employees with financial incentives in the event of a sale or disposition of the Company in order to secure the key employees' commitment and dedication to the Company, to enlist their support in the Company's efforts to locate a strategic partner or acquirer and to ensure that they conduct the affairs of the Company in such manner as to maintain the highest possible value for the stakeholders.

- 1. Definitions. The following definitions shall apply for purposes of the Plan:
- (a) "Affiliate" means any corporation, trade or business (whether or not incorporated) which controls, is controlled by, or is under common control with, the Company (within the meaning of Sections 414(b) and 414(c) of the Internal Revenue Code of 1986, as amended).
  - (b) "Board" means the Boards of Directors of the Company.
- (c) "Cause" means (i) the Participant's conviction of, or plea of guilty or nolo contendere to, any felony or crime involving moral turpitude; (ii) embezzlement or criminal diversion of funds by the Participant; or (iii) the failure (other than due to Disability) of the Participant to perform the material duties and responsibilities assigned to the Participant by the Board or the person to whom the Participant reports, provided the Participant fails to cure such failure within forty-five (45) days after receiving written notice of the particular act, or failure to act, which is the basis for such termination for Cause.
- (d) "Closing Date" means the date on which the Sale or Disposition of the Company closes as defined under the applicable transaction agreement.
- (e) "Code" means the Internal Revenue Code of 1986, as amended, together will all regulations promulgated thereunder.
- (f) "Company" means CareFirst, Inc., CareFirst of Maryland, Inc. and Group Hospitalization and Medical Services, Inc., or any successor corporation by merger, consolidation, purchase or otherwise.



- (g) "Disability" means a physical or mental infirmity of the Participant that causes the Participant to be substantially unable, despite reasonable accommodations by the Company, to perform the Participant's duties under the Employment Agreement or otherwise as determined by the Board in good faith.
- (h) "Effective Date" means the date set forth in Section 10(c) of this Plan as the effective date of this Plan.
- (i) "Employment Agreement" means the Participant's employment agreement with the Company in effect as of the Effective Date.

# (j) "Good Reason" means:

- (i) the Board's failure to extend the term of the Participant's Employment Agreement as described in Section 2(b) thereof;
- (ii) a material reduction in the Participant's responsibilities, duties, or authority;
- (iii) the transfer of the Participant, without the Participant's written consent, to a location that results in a commuting distance for the Participant that is more than fifty (50) miles greater than the Participant's commute as of the Effective Date;
- (iv) failure by the Company to provide to the Participant aggregate fixed and incentive compensation arrangements that are at least comparable to the aggregate fixed and incentive compensation arrangements provided to similarly situated employees of the Company and its Affiliates, not taking into consideration for this purpose any amounts payable pursuant to this Plan; or
- (v) the Company's breach of any material term of the Employment Agreement, other than provisions relating to the amount of fixed and incentive compensation arrangements;

provided, however, that the Participant must first give written notice of termination to the Company outlining the event that forms the basis for such Good Reason and the Company will have forty-five (45) calendar days from the date of receipt of such notice to effect a cure of the event described therein, which, if cured to the Participant's reasonable satisfaction, will no longer constitute Good Reason for purposes of this Plan.

Notwithstanding the foregoing, in the event of a Sale or Disposition to which WellPoint Health Networks Inc. ("WellPoint") is a party, the term "Good Reason" after the Closing Date shall mean:

(i) the Board's failure to extend the term of the Participant's Employment Agreement as described in Section 2(b) thereof;

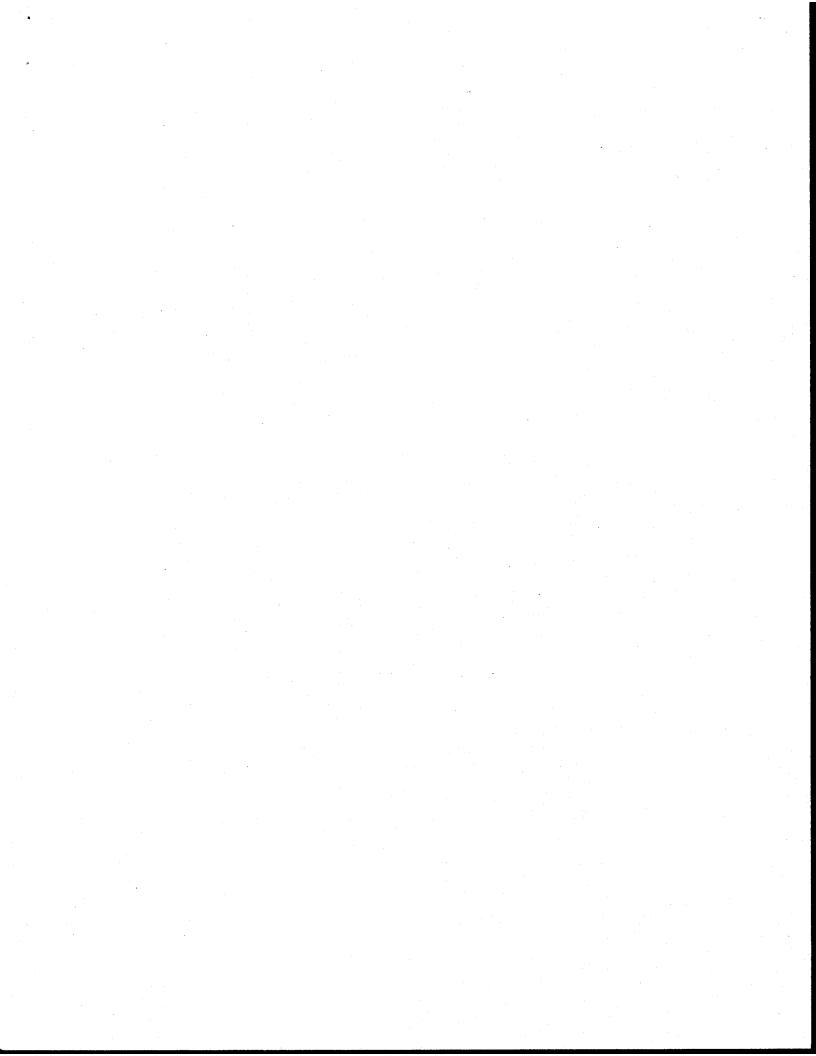
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- (ii) a material reduction in the Participant's responsibilities, duties, or authority;
- (iii) the transfer of the Participant, without the Participant's written consent, to a location that results in a commuting distance for the Participant that is more than fifty (50) miles greater than the Participant's commute as of the Effective Date;
- (iv) failure by the Company to provide to the Participant aggregate fixed and incentive compensation arrangements that are at least comparable to the aggregate fixed and incentive compensation arrangements provided to similarly situated employees of WellPoint and its Affiliates, not taking into consideration for this purpose any amounts payable or restricted shares issued pursuant to this Plan; or
- (v) the Company's breach of any material term of the Employment Agreement, other than provisions relating to the amount of fixed and incentive compensation arrangements;

provided, however, that the Participant must first give written notice of termination to the Company outlining the event that forms the basis for such Good Reason and the Company will have forty-five (45) calendar days from the date of receipt of such notice to effect a cure of the event described therein, which, if cured to the Participant's reasonable satisfaction, will no longer constitute Good Reason for purposes of this Plan.

- (k) "Letter of Participation" means a written letter delivered to a Company employee, and executed by such employee, specifying that such employee has been selected by the Board as a Participant in the Plan and specifying the percentage of the Merger Consideration applicable to such employee for purposes of determining the Merger Incentive Bonus to which the employee may become entitled and such other terms as the Board may prescribe.
- (l) "Merger Consideration" means the aggregate sales consideration paid or payable to the Company's stockholders pursuant to the Sale or Disposition of the Company, determined as of the Closing Date and without taking into account any post-closing adjustments.
- (m) "Merger Incentive Bonus" means the amount payable to a Participant pursuant to Section 3 of this Plan.
- (n) "Participant" means an employee of the Company holding the title of Executive Vice President or higher who has been selected by the Board to participate in the Plan and who has executed a Letter of Participation.
  - (o) "Plan" means the CareFirst Merger Incentive Plan.



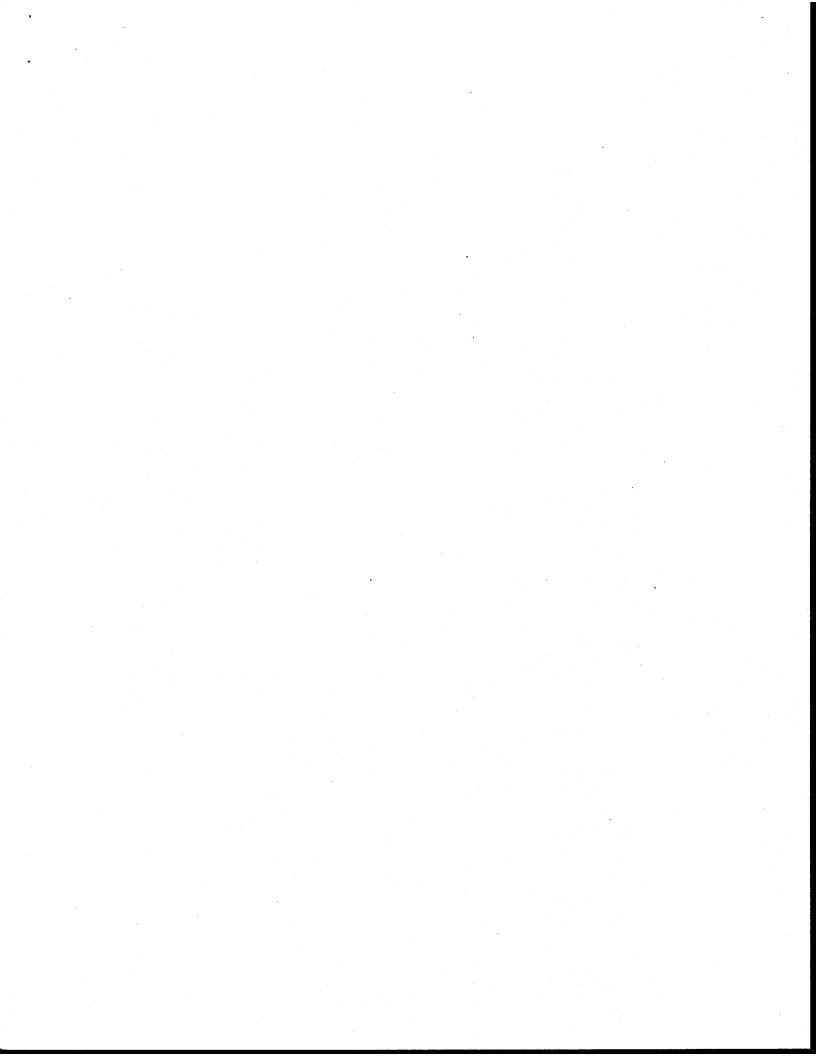
- (p) "Plan Administrator" means the Board.
- (q) "Sale or Disposition" means the first of any of the following to occur:
- (i) a merger, acquisition, consolidation or other transaction involving the Company after which the individuals who constituted members of the Board twelve (12) months before the consummation of such transaction do not constitute a majority of the Board or other similar governing body of the most senior resulting business entity after such transaction; or
- (ii) a sale, lease or exchange of more than fifty percent (50%) of the assets of the Company and its subsidiaries to one or more organizations or entities not more than fifty percent (50%) owned by the Company after the consummation of such transaction;

provided, however, that a Sale or Disposition shall in no event be deemed to have occurred if the Company is placed in receivership or under control of the Commissioner of Insurance with jurisdiction over the Company, and the Participants shall not receive any bonuses under this Plan if any local, state, or federal regulator assumes control of the Company.

- (r) "Settlement Date" means the Merger Incentive Bonus payment date which shall be the twelve- (12-) month anniversary of the Closing Date.
- 2. Participation. The Board, in its sole discretion, will determine the Company employees that shall become Participants in the Plan. The Company will deliver a Letter of Participation to each employee selected by the Board that indicates the amount of the Merger Incentive Bonus or other benefits that the employee will be entitled to receive in the event the conditions for payment thereof are satisfied. The employee will become a Participant in the Plan upon execution of such Letter of Participation.

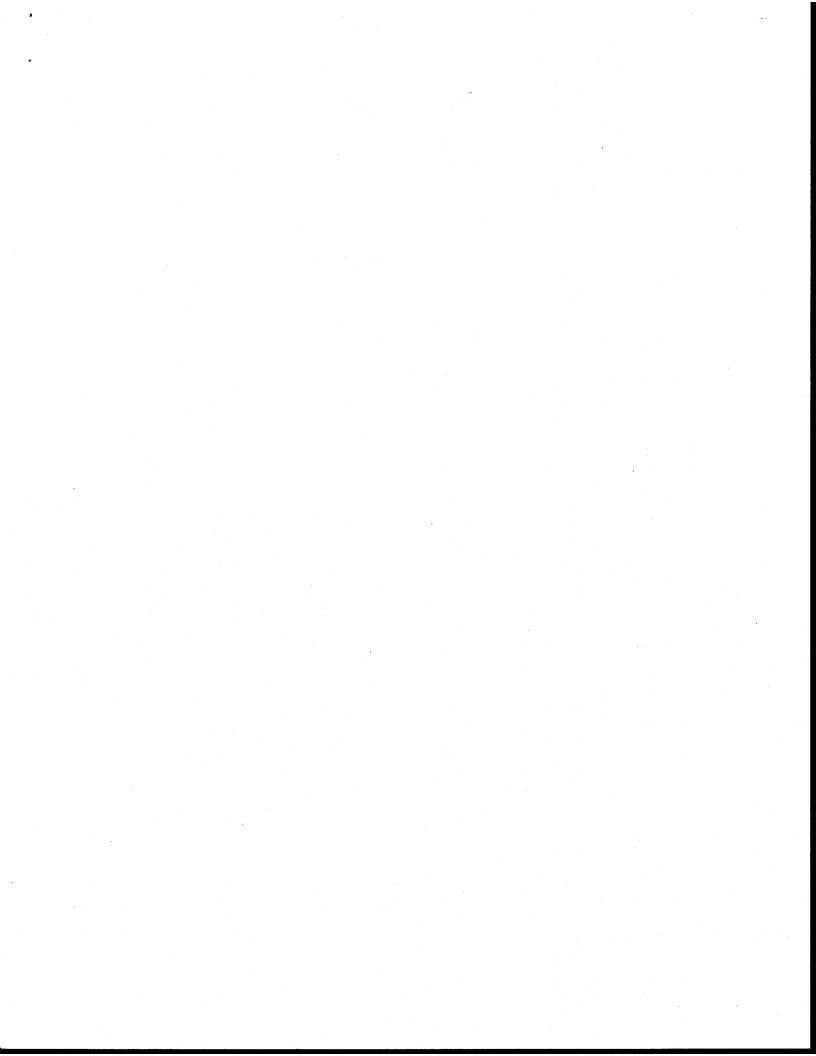
# 3. Conditions for and Payment of Merger Incentive Bonus.

- (a) In the event of a Sale or Disposition of the Company, each Participant (i) who is employed with the Company and/or an Affiliate continuously from the Effective Date through the first anniversary of the Closing Date, or (ii) whose employment with the Company and its Affiliates is terminated within the twenty-four-(24-) month period immediately preceding the first anniversary of the Closing Date either by the Company or its Affiliate without Cause or by the Participant with Good Reason, shall receive a Merger Incentive Bonus payment as specified in this Section 3.
- (b) The amount of the Merger Incentive Bonus payment to any Participant shall be a percentage of the Merger Consideration as specified in the Letter of Participation delivered to and executed by the Participant.



- (c) All Merger Incentive Bonus amounts shall, except as provided in Section 3(d) below, be paid in cash in a single payment on the later of the Settlement Date or the eighth (8th) day after the Participant executes the Waiver in accordance with Section 5.
- (d) In the event of a Sale or Disposition to which WellPoint is a party, the Merger Incentive Bonuses due hereunder may be paid, in the sole discretion of the Company or WellPoint, in the form of restricted shares of common stock of WellPoint in lieu of the cash payment specified in Section 3(c) above except to the extent provided in the Letter of Participation. Such restricted shares shall be issued to the respective Participants within five (5) business days after the Closing Date or, if later, the eighth (8th) day after the Participant executes the Waiver in accordance with Section 5. The number of restricted shares to be issued to a Participant in such case shall be equal to the quotient (rounded up to the nearest whole share) of (i) the cash payment that would have been paid as that Participant's Merger Incentive Bonus, divided by (ii) the average of the daily closing price of common stock of WellPoint Health Networks Inc. on the New York Stock Exchange for the twenty- (20-) trading day period ending on the fifth (5th) trading day prior to the Closing Date. The restricted shares will: (x) be issued pursuant to the WellPoint Health Networks Inc. 1999 Stock Incentive Plan (or a similar successor plan that provides for the issuance of securities that have been registered under the Securities Act of 1933); (y) vest in equal annual installments as of the first, second and third anniversaries of the Closing Date conditioned upon the Participant remaining in the employment of the Company or an Affiliate through the applicable vesting dates, and will become fully vested in the event the Participant's employment with the Company and its Affiliates is terminated, within the vesting period, either by the Company or its Affiliate without Cause or by the Participant with Good Reason; and (z) include other terms and conditions that are consistent with the standard terms and conditions for restricted share grants by WellPoint.
- 4. Withholding Taxes. The Company or any Affiliate shall have the right to deduct from the Merger Incentive Bonus payment or any other payment of any kind due the Participant (or the Participant's estate) all taxes which, by applicable federal, state, local or other law, the Company or any Affiliate is required to withhold in connection with the Merger Incentive Bonus.
- 5. Full Settlement; Resolution of Disputes. The Company's obligation to make the payments provided for in this Plan and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may have against the Participant or others; provided, however, that as a condition to receiving any payment under this Plan, the Participant must execute a general release and waiver (the "waiver"), in form and substance satisfactory to the Company and within the time frame established by the Company, releasing the Company and all of its Affiliates and their respective agents, officers, directors, shareholders, employees, attorneys and assigns from any liability arising out of, or in connection with, the Participant's employment or termination of employment with the Company and its Affiliates, including, but not limited to, rights and claims

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arising under the Age Discrimination in Employment Act of 1967, as amended by the Older Workers Benefit Protection Act of 1990, Title VII of the Civil Rights Act of 1964, as amended, the Americans with Disabilities Act, the Fair Labor Standards Act, any state or local human rights statute or ordinance, any claims or rights of action relating to breach of contract, fraud, negligence (including negligent hiring and retention), prima facie tort, implied contracts or implied covenants of good faith and fair dealing, public policy, personal or emotional injury, defamation, additional compensation, or fringe benefits, and any and all other federal, state and local statutes, cases, authorities or laws providing a cause of action that can be the subject of a release under applicable law. Notwithstanding the foregoing, the Waiver shall not apply to (a) any claim for indemnification of any Participant as an officer or director of the Company or any Affiliate in accordance with and subject to the By-laws of the Company or any Affiliate, or (b) any claim for benefits to which the Participant is entitled under any employee benefit plan (as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended) maintained by the Company or any Affiliate.

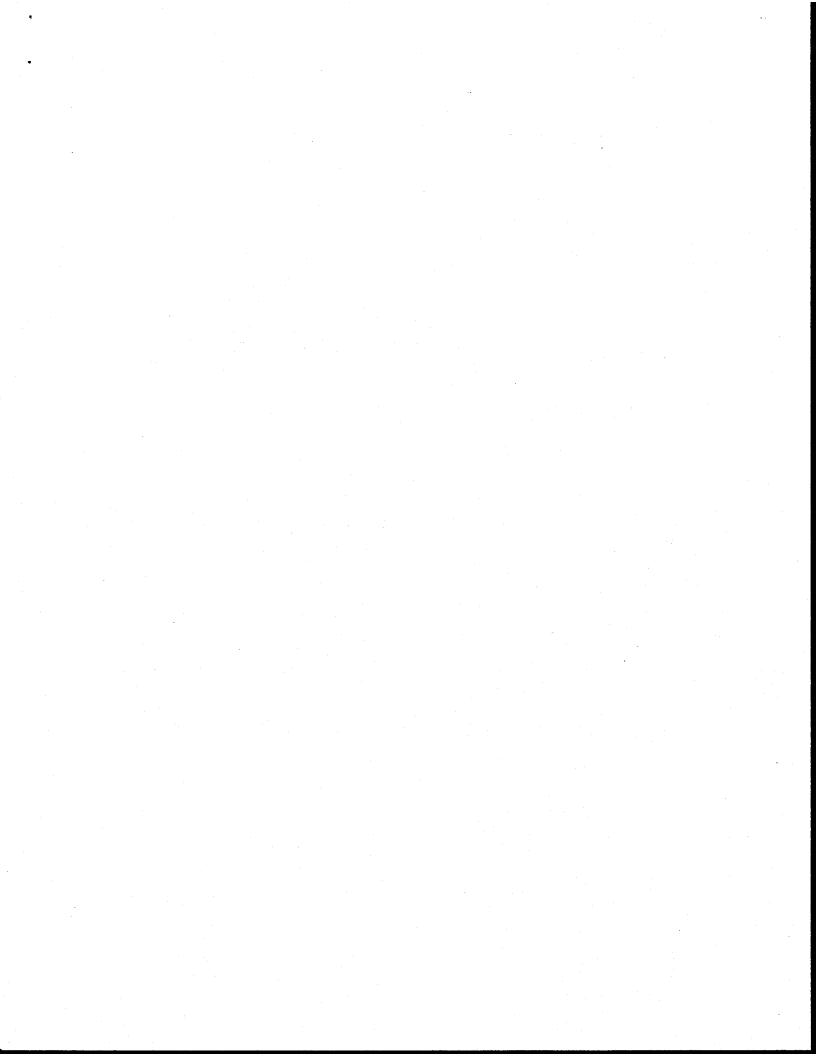
6. Reimbursement of Expenses; Arbitration. Any dispute or controversy arising under or in connection with this Plan, which cannot be resolved by negotiations between the Company or any Affiliate and the Participant, shall be settled exclusively by arbitration, in the city in which the principal executive offices of the Company are located in which a United States District Court is situated or such other place as the parties may mutually agree, by three arbitrators in accordance with the rules of JAMS/ENDISPUTE, Inc. then in effect. The arbitrator shall apply the laws of the State of Maryland with respect to the interpretation or enforcement of any matter relating to this agreement. Judgment may be entered on the arbitrators' award in any court having jurisdiction. The Company agrees to pay all legal fees and expenses which the Participant may reasonably incur as a result of any contest pursued or defended against in good faith by the Participant regarding the Plan plus in each case interest on any delayed payment at the applicable federal rate provided for in Section 7872(f)(2)(A) of the Code; provided that the Participant is the prevailing party in such contest.

#### 7. Termination or Amendment of Plan.

- (a) This Plan shall be in effect as of the Effective Date and may be terminated on or after the fifth (5th) anniversary of the Effective Date by specific action of the Board but, absent such action, shall continue in effect indefinitely.
- (b) The Company, by resolution of the Board, may amend or modify this Plan subject to Section 7(a) above; provided, however, that no such amendment or modification which would adversely affect the rights or potential rights of any Participant to whom a Letter of Participation has been delivered shall be effective before the fifth (5th) anniversary of the Effective Date without the written consent of the Participant.

#### Successors.

(a) This Plan shall not be terminated by any merger, consolidation, share exchange or similar event involving the Company. In the event of any merger, consolidation, share exchange or similar event, the provisions of this Plan shall be



binding upon the surviving or resulting corporation or the person or entity to which such assets are transferred.

- (b) This Plan shall inure to the benefit of and be enforceable by each Participant's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If a Participant shall die while any amounts are payable to the Participant hereunder, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Plan to the Participant's estate.
- 9. Governing Law; Validity. The interpretation, construction and performance of this Plan shall be governed by and construed and enforced in accordance with the laws of the State of Maryland without regard to the principle of conflicts of laws. The invalidity or unenforceability of any provision of this Plan shall not affect the validity or enforceability of any other provision of this Plan, which other provisions shall remain in full force and effect.

### 10. Miscellaneous.

- (a) Neither the Company nor any Affiliate shall be required to fund or otherwise segregate assets to be used for the payment of any benefits under the Plan. The Company shall make such payments only out of its general corporate funds, and therefore its obligation to make such payments shall be subject to any claims of its other creditors having priority as to its assets.
- (b) Payment of any Merger Incentive Bonus in cash or in restricted shares shall be deemed to constitute a payment under the Participant's Employment Agreement for purposes of any tax gross-up provisions therein.
  - (c) The "Effective Date" of the Plan is July 26, 2001.
- (d) This Plan does not constitute a contract of employment or impose on the Company or any Affiliate any obligation to retain the Participant as an employee before or after a Sale or Disposition, to change the status of the Participant's employment, or to change the policies of the Company or its Affiliates regarding termination of employment.

Executed this day of Decluber, 2001.

CAREFIRST, INC.

By: Daniel X: hlbbello

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GROUP HOSPITALIZATION AND MEDICAL SERVICES, INC.

By: 

GROUP HOSPITALIZATION AND MEDICAL SERVICES, INC.